

Beaver Township
Bay County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2008

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Beaver Township
List of Elected and Appointed Officials
March 31, 2008

Township Board

Ron Robbins - Supervisor

Robert Mieske - Treasurer

Richard Charbeneau - Clerk

Jerome Grzegorzczuk - Trustee

Nick Tomczak-Trustee



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Independent Auditors' Report

To the Township Board
Beaver Township
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Beaver Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund information of Beaver Township as of March 31, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Township's the basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

June 30, 2008

Midland, Michigan

Beaver Township
Statement of Net Assets
March 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 629,704	\$ 74,226	\$ 703,930
Receivables			
Customers	-	4,852	4,852
Taxes	43,690	-	43,690
Water line liens	80,824	-	80,824
Interest receivable	-	405	405
Due from other units of government	30,976	-	-
Prepaid items	-	1,642	1,642
Capital assets not being depreciated	10,000	-	10,000
Capital assets - net of accumulated depreciation	<u>518,210</u>	<u>2,367,593</u>	<u>2,885,803</u>
 Total assets	 <u>1,313,404</u>	 <u>2,448,718</u>	 <u>3,762,122</u>
Liabilities			
Accounts payable	28,438	30,799	59,237
Accrued and other liabilities	-	3,471	3,471
Due within one year	74,064	100,530	174,594
Due in more than one year	<u>698,306</u>	<u>303,001</u>	<u>1,001,307</u>
 Total liabilities	 <u>800,808</u>	 <u>437,801</u>	 <u>1,238,609</u>
Net Assets			
Invested in capital assets, net of related debt	444,147	1,963,532	2,407,679
Restricted for:			
Building inspection department	345	-	345
Unrestricted	<u>68,104</u>	<u>47,385</u>	<u>115,489</u>
 Total net assets	 <u>\$ 512,596</u>	 <u>\$ 2,010,917</u>	 <u>\$ 2,523,513</u>

Beaver Township
Statement of Activities
Year Ended March 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs	Expenses						
Primary government							
Governmental activities							
General government	\$ 121,761	\$ -	\$ -	\$ -	\$ (121,761)	\$ -	\$ (121,761)
Public safety	109,761	36,279	-	-	(73,482)	-	(73,482)
Public works	318,701	126,712	-	-	(191,989)	-	(191,989)
Community and economic development	12,531	-	-	-	(12,531)	-	(12,531)
Recreation and culture	10,846	-	-	-	(10,846)	-	(10,846)
Interest on long-term debt	38,311	-	-	-	(38,311)	-	(38,311)
Total governmental activities	611,911	162,991	-	-	(448,920)	-	(448,920)
Business-type activities							
Water	195,800	105,788	-	-	-	(90,012)	(90,012)
Total primary government	\$ 807,711	\$ 268,779	\$ -	\$ -	(448,920)	(90,012)	(538,932)
General revenues							
Property taxes					369,000	-	369,000
State shared revenue					243,481	-	243,481
Unrestricted investment earnings					7,258	2,627	9,885
Miscellaneous					44,393	-	44,393
Transfers					(126,500)	126,500	-
Total general revenues and transfers					537,632	129,127	666,759
Change in net assets					88,712	39,115	127,827
Net assets - beginning of year					423,884	1,971,802	2,395,686
Net assets - end of year					\$ 512,596	\$ 2,010,917	\$ 2,523,513

**Beaver Township
Governmental Funds
Balance Sheet
March 31, 2008**

		Special Revenue Fund	
	General	Fire Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 562,105	\$ 67,599	\$ 629,704
Receivables			
Water line liens	80,824	-	80,824
Taxes	34,827	8,864	43,691
Due from other governmental units	<u>30,976</u>	<u>-</u>	<u>30,976</u>
Total assets	<u>\$ 708,732</u>	<u>\$ 76,463</u>	<u>\$ 785,195</u>
Liabilities			
Accounts payable	\$ -	\$ 7,443	\$ 7,443
Deferred revenue	<u>115,651</u>	<u>8,864</u>	<u>124,515</u>
Total liabilities	<u>115,651</u>	<u>16,307</u>	<u>131,958</u>
Fund Balances			
Reserved for:			
Building inspection department	345	-	345
Unreserved, reported in:			
General fund	592,736	-	592,736
Special revenue fund	<u>-</u>	<u>60,156</u>	<u>60,156</u>
Total fund balances	<u>593,081</u>	<u>60,156</u>	<u>653,237</u>
Total liabilities and fund balances	<u>\$ 708,732</u>	<u>\$ 76,463</u>	<u>\$ 785,195</u>

**Beaver Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2008**

Total fund balances for governmental funds	\$ 653,237
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	10,000
Capital assets - net of accumulated depreciation	518,210
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	124,514
Certain liabilities are not due and payable in the current period and are not reported in the funds.	(20,995)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(772,370)</u>
Net assets of governmental activities	<u><u>\$ 512,596</u></u>

Beaver Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2008

	General	Special Revenue Fund <u>Fire Fund</u>	Governmental Funds Total
Revenues			
Taxes	\$ 245,892	\$ 118,659	\$ 364,551
Licenses and permits	34,756	-	34,756
State revenue sharing	243,481	-	243,481
Charges for services	184,297	1,925	186,222
Interest income	7,001	257	7,258
Other revenue	7,798	1,839	9,637
	<u>723,225</u>	<u>122,680</u>	<u>845,905</u>
Total revenues			
Expenditures			
Current			
General government	94,284	-	94,284
Public safety	34,866	47,822	82,688
Public works	312,716	-	312,716
Community and economic development	12,531	-	12,531
Recreation and culture	10,846	-	10,846
Other functions	19,838	-	19,838
Capital outlay	-	4,782	4,782
Debt service			
Principal retirement	36,770	78,041	114,811
Interest and fiscal charges	32,630	5,681	38,311
	<u>554,481</u>	<u>136,326</u>	<u>690,807</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	168,744	(13,646)	155,098
Other financing sources (uses)			
Transfers out	(126,500)	-	(126,500)
Total other financing sources and uses	<u>(126,500)</u>	<u>-</u>	<u>(126,500)</u>
Net change in fund balances	42,244	(13,646)	28,598
Fund balance - beginning of year	550,837	73,802	624,639
Fund balance - end of year	<u>\$ 593,081</u>	<u>\$ 60,156</u>	<u>\$ 653,237</u>

**Beaver Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended March 31, 2008**

Net change in fund balances - Total governmental funds \$ 28,598

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(29,930)
Capital outlay	2,542

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Property taxes	4,449
Charges for services	(23,231)

Expenses are recorded when incurred in the statement of activities

Other expenses	(8,527)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>114,811</u>
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Change in net assets of governmental activities	<u>\$ 88,712</u>
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**Beaver Township
Proprietary Fund
Statement of Net Assets
March 31, 2008**

	<u>Water Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 74,226
Receivables	
Customers	4,852
Accrued interest and other	405
Prepaid items	<u>1,642</u>
Total current assets	81,125
Noncurrent assets	
Capital assets - net of accumulated depreciation	<u>2,367,593</u>
Total assets	<u>2,448,718</u>
Liabilities	
Current liabilities	
Accounts payable	30,799
Accrued and other liabilities	3,471
Current portion of noncurrent liabilities	<u>100,530</u>
Total current liabilities	<u>134,800</u>
Noncurrent liabilities	
Long-term debt net of current portion	<u>303,001</u>
Total liabilities	<u>437,801</u>
Net Assets	
Invested in capital assets, net of related debt	1,963,532
Unrestricted	<u>47,385</u>
Total net assets	<u>\$ 2,010,917</u>

Beaver Township
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended March 31, 2008

	Water Fund
Operating revenue	
Customer fees	\$ 94,818
Connection fees	10,610
Other revenue	<u>360</u>
Total operating revenue	<u>105,788</u>
Operating expenses	
Personnel services	33,849
Water costs	49,615
Administration	5,462
Utilities	249
Repairs and maintenance	7,751
Other expenses	1,934
Depreciation	<u>70,413</u>
Total operating expenses	<u>169,273</u>
Operating loss	<u>(63,485)</u>
Nonoperating revenue (expenses)	
Payment to other governmental units	(1,100)
Interest income	2,627
Interest expense	<u>(25,427)</u>
Total nonoperating revenues (expenses)	<u>(23,900)</u>
Loss before transfers	(87,385)
Transfers in	<u>126,500</u>
Change in net assets	39,115
Net assets - beginning of year	<u>1,971,802</u>
Net assets - end of year	<u>\$ 2,010,917</u>

**Beaver Township
Proprietary Fund
Statement of Cash Flows
Year Ended March 31, 2008**

	<u>Water Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 104,233
Payments to suppliers	(43,851)
Payments to employees	(34,322)
Net cash provided by operating activities	<u>26,060</u>
Cash flows from noncapital financing activities	
Transfer from other funds	<u>125,400</u>
Cash flows from capital and related financing activities	
Principal and interest paid on long-term debt	<u>(126,200)</u>
Cash flows from investing activities	
Interest received	<u>2,626</u>
Net increase in cash and cash equivalents	27,886
Cash and cash equivalents - beginning of year	<u>46,340</u>
Cash and cash equivalents - end of year	<u>\$ 74,226</u>
Reconciliation of operating loss to net cash provided (used) by operating activities	
Operating loss	\$ (63,485)
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	70,413
Changes in assets and liabilities	
Receivables (net)	(1,284)
Prepaid items	297
Accounts payable	20,863
Accrued and other liabilities	(744)
Net cash used by operating activities	<u>\$ 26,060</u>

Beaver Township
Notes to Financial Statements
March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Beaver Township is governed by an elected five-member Board.

These statements also include the water system managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations of the system for year ended December 31, 2007. This fund is the Township's only proprietary fund. Nothing was brought to our attention which would require adjustments to the water fund statements to reflect the Townships fiscal year end of March 31.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among

program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so

Beaver Township
Notes to Financial Statements
March 31, 2008

have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the revenue and expenditures of the government's fire protection and emergency rescue activities.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Beaver Township
Notes to Financial Statements
March 31, 2008

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$71,326,558, on which ad valorem taxes consisted of 4.7183 mills for operating purposes. This resulted in \$340,052 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Water lines	40 years
Vehicles	25 years
Machinery and equipment	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated absences – Employees of the County of Bay Water and Sewer Fund who manage the water fund for the township permit employees to accumulate unused sick days up to a maximum of 120 days. The cost of this benefit is recognized when earned.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General

Beaver Township

Notes to Financial Statements

March 31, 2008

Fund and Fire Fund. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Public safety	\$ 34,100	\$ 34,866	\$ 766
Insurance and fring benefits	13,400	19,838	6,438
Fire Fund			
Debt service	51,300	83,722	32,422

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 629,704
Business-type activities	74,226
Total primary government	<u>\$ 703,930</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts)	<u>\$ 703,930</u>

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that re legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory

Beaver Township
Notes to Financial Statements
March 31, 2008

authority as listed above.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of year end, \$501,844 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due after one year	Fund
Primary government		
Water line liens - special assessments	\$ 80,824	General

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Primary government	
Water line liens - special assessments	\$ 80,824
Property taxes	43,691
	<u>\$ 124,515</u>

Beaver Township
Notes to Financial Statements
March 31, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated				
Buildings, additions and improvements	118,500	-	-	118,500
Machinery and equipment	41,790	2,542	-	44,332
Vehicles	524,874	-	-	524,874
Water lines	110,922	-	-	110,922
Total capital assets being depreciated	796,086	2,542	-	798,628
Less accumulated depreciation for				
Buildings, additions and improvements	(72,088)	(2,962)	-	(75,050)
Machinery and equipment	(5,798)	(3,200)	-	(8,998)
Vehicles	(170,881)	(20,995)	-	(191,876)
Water lines	(1,721)	(2,773)	-	(4,494)
Total accumulated depreciation	(250,488)	(29,930)	-	(280,418)
Net capital assets being depreciated	545,598	(27,388)	-	518,210
Governmental activities capital assets, net	\$ 555,598	\$ (27,388)	\$ -	\$ 528,210
Business-type activities				
Capital assets being depreciated				
Water system	\$ 2,816,512	\$ -	\$ -	\$ 2,816,512
Less accumulated depreciation for				
Water system	(378,506)	(70,413)	-	(448,919)
Net capital assets being depreciated	2,438,006	(70,413)	-	2,367,593
Business-type capital assets, net	\$ 2,438,006	\$ (70,413)	\$ -	\$ 2,367,593

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 7,639
Public safety	22,291
Total governmental activities	<u>\$ 29,930</u>
Business-type activities	
Water	<u>\$ 70,413</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General	Water	<u>\$ 126,500</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Beaver Township
Notes to Financial Statements
March 31, 2008

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Installment purchase agreement									
Fire Truck loan - Chemical Bank	\$ 335,743	2012	3.79%	\$9,484 - \$37,978	\$ 162,104	\$ -	\$ 78,041	\$ 84,063	\$ 36,601
Water lines loan	\$ 725,077	2022	4.64%	\$37,463 - \$64,561	<u>725,077</u>	<u>-</u>	<u>36,770</u>	<u>688,307</u>	<u>37,463</u>
					<u>\$ 887,181</u>	<u>\$ -</u>	<u>\$ 114,811</u>	<u>\$ 772,370</u>	<u>\$ 74,064</u>
Business-type activities									
Bonds payable									
Water line extension bonds	\$ 1,100,000	2012	5.20 - 5.40%	\$100,000	\$ 500,000	\$ -	\$ 100,000	\$ 400,000	\$ 100,000
Compensated absences					<u>4,033</u>	<u>-</u>	<u>502</u>	<u>3,531</u>	<u>530</u>
					<u>\$ 504,033</u>	<u>\$ -</u>	<u>\$ 100,502</u>	<u>\$ 403,531</u>	<u>\$ 100,530</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities		Year Ending March 31,	Business-type activities	
	Principal	Interest		Principal	Interest
2009	\$ 74,064	\$ 35,108	2009	\$ 100,000	\$ 10,550
2010	77,179	31,992	2010	100,000	7,950
2011	50,504	28,734	2011	100,000	5,350
2012	42,923	26,477	2012	<u>100,000</u>	<u>2,700</u>
2013	44,915	24,485			
2014-2018	257,838	89,162		<u>\$ 400,000</u>	<u>\$ 26,550</u>
2019-2022	<u>224,947</u>	<u>24,820</u>			
	<u>\$ 772,370</u>	<u>\$ 260,778</u>			

Beaver Township
Notes to Financial Statements
March 31, 2008

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township participates in a defined contribution retirement plan administered by John Hancock Financial Services. The plan covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$3,527 for the year ended March 31, 2008.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation – Beaver Township is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

Beaver Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 204,500	\$ 204,500	\$ 221,393	\$ 16,893
Administration fee	20,000	20,000	24,499	4,499
Licenses and permits	30,000	30,000	34,756	4,756
State revenue sharing	190,000	190,000	243,481	53,481
Charges for services	182,000	182,000	184,297	2,297
Interest income	5,000	5,000	7,001	2,001
Other revenue	19,000	19,000	7,798	(11,202)
Total revenues	650,500	650,500	723,225	72,725
Expenditures				
General government				
Township board	21,800	21,800	17,024	(4,776)
Supervisor	10,500	10,500	9,000	(1,500)
Clerk	12,700	12,700	10,826	(1,874)
Board of review	1,200	1,200	1,524	324
Treasurer	17,700	17,700	16,544	(1,156)
Assessor	11,000	11,000	11,670	670
Elections	2,000	2,000	3,228	1,228
Buildings and grounds	42,200	42,200	23,053	(19,147)
Cemetery	1,000	1,000	1,415	415
Total general government	120,100	120,100	94,284	(25,816)

Beaver Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	4,100	4,100	4,867	767
Building inspection department	30,000	30,000	29,999	(1)
Total public safety	34,100	34,100	34,866	766
Public works				
Highways, streets and bridges	262,600	262,600	187,780	(74,820)
Water and sewer system	-	-	103	103
Street lighting	4,000	4,000	4,206	206
Sanitary land fill	117,000	117,000	120,627	3,627
Total public works	383,600	383,600	312,716	(70,884)
Community and economic development				
Zoning	21,200	21,200	12,531	(8,669)
Recreation and culture				
Parks and recreation	25,000	25,000	10,846	(14,154)

Beaver Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other functions				
Insurance and bonds	10,000	10,000	16,311	6,311
Unallocated employee fringe benefits	3,400	3,400	3,527	127
Total other functions	13,400	13,400	19,838	6,438
Debt service				
Principal retirement	37,000	37,000	36,770	(230)
Interest and fiscal charges	33,000	33,000	32,630	(370)
Total debt service	70,000	70,000	69,400	(600)
Total expenditures	597,400	597,400	554,481	(112,319)
Excess of revenues over expenditures	53,100	53,100	168,744	185,044
Other financing uses				
Transfers out	(126,600)	(126,600)	(126,500)	(100)
Net change in fund balances	(73,500)	(73,500)	42,244	184,944
Fund balance - beginning of year	550,837	550,837	550,837	-
Fund balance - end of year	\$ 477,337	\$ 477,337	\$ 593,081	\$ 184,944

Beaver Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 118,500	\$ 118,500	\$ 118,659	\$ 159
Federal grants				
Charges for services	-	-	1,925	1,925
Interest income	1,000	1,000	257	(743)
Other revenue	-	-	1,839	1,839
	<u>119,500</u>	<u>119,500</u>	<u>122,680</u>	<u>3,180</u>
Expenditures				
Current				
Public safety	51,200	51,200	47,822	(3,378)
Capital outlay	15,000	15,000	4,782	(10,218)
Debt service				
Principal retirement	45,300	45,300	78,041	32,741
Interest and fiscal charges	6,000	6,000	5,681	(319)
	<u>117,500</u>	<u>117,500</u>	<u>136,326</u>	<u>18,826</u>
Excess (deficiency) of revenues over expenditures	2,000	2,000	(13,646)	(15,646)
Fund balance - beginning of year	<u>73,802</u>	<u>73,802</u>	<u>73,802</u>	<u>-</u>
Fund balance - end of year	<u>\$ 75,802</u>	<u>\$ 75,802</u>	<u>\$ 60,156</u>	<u>\$ (15,646)</u>

Beaver Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities						
Fire Truck Loan	3.79%	2009	\$ 36,601	\$ 3,171	\$ -	\$ 39,772
Amount of issue - \$ 335,743	3.79%	2010	37,978	1,793	-	39,771
	3.79%	2011	9,484	354	-	9,838
			<u>\$ 84,063</u>	<u>\$ 5,318</u>	<u>\$ -</u>	<u>\$ 89,381</u>
Water Lines Loan	4.64%	2009	\$ 37,463	\$ 31,937	\$ -	\$ 69,400
Amount of issue - \$ 725,077	4.64%	2010	39,201	30,199	-	69,400
	4.64%	2011	41,020	28,380	-	69,400
	4.64%	2012	42,923	26,477	-	69,400
	4.64%	2013	44,915	24,485	-	69,400
	4.64%	2014	46,999	22,401	-	69,400
	4.64%	2015	49,180	20,220	-	69,400
	4.64%	2016	51,462	17,938	-	69,400
	4.64%	2017	53,849	15,551	-	69,400
	4.64%	2018	56,348	13,052	-	69,400
	4.64%	2019	58,963	10,437	-	69,400
	4.64%	2020	61,699	7,701	-	69,400
	4.64%	2021	64,561	4,839	-	69,400
	4.64%	2022	39,724	1,843	-	41,567
			<u>\$ 688,307</u>	<u>\$ 255,460</u>	<u>\$ -</u>	<u>\$ 943,767</u>
Business-type activities						
Water Line Extension	5.20%	2009	\$ 100,000	\$ 10,550	\$ 10,550	\$ 121,100
Amount of issue - \$ 1,100,000	5.20%	2010	100,000	7,950	7,950	115,900
	5.30%	2011	100,000	5,350	5,350	110,700
	5.40%	2012	100,000	2,700	2,700	105,400
			<u>\$ 400,000</u>	<u>\$ 26,550</u>	<u>\$ 26,550</u>	<u>\$ 453,100</u>



6018 Eastman Avenue
Midland, MI 48640
(989) 631-6060 / (800) 701-3574
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June 30, 2008

Board of Directors
Beaver Township
Bay County, Michigan

We have completed our audit of the financial statements of Beaver Township as of and for the year ended March 31, 2008 and have issued our report dated June 30, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Midland, Michigan
June 30, 2008



Appendix 1

Auditors' Communication of Significant Matters with Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated April 25, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. We are not aware of any particular sensitive estimates made by Beaver Township.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix 2 Management Comments

In planning and performing our audit of the financial statements of Beaver Township as of and for the year ended March 31, 2008, we considered Beaver Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date June 30, 2008, on the financial statements of Beaver Township. Our comments and recommendations regarding those matters are:

ACCOUNTING SOFTWARE PASSWORD PROTECTED

As part of the internal control process, accounting software should be password protected. We note that QuickBooks was not password protected.

Recommendation

We recommend the Township to create a password to access QuickBooks. The password should only be known by those who have authorized access to QuickBooks. We believe the password protected software will prevent any unauthorized users access to the Township's information.

ADJUSTING JOURNAL ENTRIES

We proposed ten adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors resulting from misclassifying the journal entry to the correct account and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions would expedite the year-end closing and reduce audit time.